



November 11, 2023

Listing Department  
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P J Towers, Dalal Street,  
Mumbai-400 001

**Code: 532321**

Listing Department  
**NATIONAL STOCK EXCHANGE OF INDIA LIMITED**  
Exchange Plaza, C/1, Block G,  
Bandra Kurla Complex,  
Bandra (E),  
Mumbai-400 051

**Code: ZYDUSLIFE**

Sub: **Transcript of the Post Results Earnings Call held on November 7, 2023**

Dear Sir / Madam,

Pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the Transcript of the Company's Q2 FY24 post results earnings call held on November 7, 2023.

Please find the same in order.

Thanking you,

Yours faithfully,  
For, **ZYDUS LIFESCIENCES LIMITED**

**DHAVAL N. SONI**  
**COMPANY SECRETARY**

Encl.: As above





# **“Zydus Lifesciences Limited Q2 FY24 Post Results Earnings Call”**

**November 7, 2023**

**MANAGEMENT:**     **DR. SHARVIL PATEL - MANAGING DIRECTOR, ZYDUS LIFESCIENCES LIMITED**  
                              **MR. GANESH NAYAK - EXECUTIVE DIRECTOR, ZYDUS LIFESCIENCES LIMITED**  
                              **MR. NITIN PAREKH - CHIEF FINANCIAL OFFICER, ZYDUS LIFESCIENCES LIMITED**  
                              **MR. ARVIND BOTHRA - SENIOR VICE PRESIDENT, INVESTOR RELATIONS, ZYDUS LIFESCIENCES LIMITED**  
                              **MR. ALOK GARG - SENIOR VICE PRESIDENT, MD OFFICE, ZYDUS LIFESCIENCES LIMITED**

**Ganesh Nayak:**

Good evening, ladies and gentlemen. Welcome to our post results teleconference for the quarter ended September 30<sup>th</sup>, 2023. On today's call, we have with us Dr. Sharvil Patel, Managing Director, Mr. Nitin Parekh, Chief Financial Officer, Mr. Arvind Bothra, Senior Vice President, Investor Relations and Mr. Alok Garg - Senior Vice President from the Managing Director's office.

Now, let me give you a broad overview of the developments during the quarter. In terms of overall revenues, we registered stable growth of 9% during the quarter. Our branded formulations business in India grew in high single digit after adjusting for impact of NLEM and partly affected by delay in the acute season. The US formulations business performed on expected lines driven by stable base business and supported by new introductions. Our Emerging Markets and Europe formulations businesses continue with strong growth momentum and delivered double digit growth.

A network of regulatory compliant manufacturing facilities and a resilient supply chain serves as the backbone of our businesses globally. We remain committed to extend our robust compliance record by maintaining the highest standards of quality and in turn, ensure uninterrupted supply to customers across the globe.

Various digitalization initiatives undertaken across different functions have significantly enhanced the efficiency of operations and continue to deliver greater value to all the stakeholders.

With that, let me take you through the financial numbers for the quarter gone by. We registered consolidated revenues of Rs. 43.7 billion, up 9% on a year-on-year basis. EBITDA for the quarter was Rs. 11.5 billion, with a growth of 41% on a year-on-year basis. Operating profitability remained robust as we registered an EBITDA margin of 26.2% during the quarter, which is an improvement of 580 basis points on a year-on-year basis. Net Profit for the quarter stood at Rs. 8 billion, up 53% year-on-year. Our Balance Sheet continued to strengthen with a net cash position of Rs. 16.4 billion as at 30<sup>th</sup> September, 2023 as against the net cash of Rs. 5.5 billion as at 31<sup>st</sup> March, 2023.

Now, let me take you through the operating highlights for the second quarter of FY24 for our key business segments.

Our India geography, which comprises of formulations and consumer wellness business, accounted for 42% of the total revenues during the quarter and grew 5% year-on-year. As mentioned earlier, despite delay in the acute season onset, our branded formulations business in India grew in a high single digit

primarily driven by volume expansion and new launches. We gained rank and improved our market share in the anti-diabetic and respiratory therapies on the back of continued efforts to strengthen our presence in focused therapies. On the super speciality front, we retained leadership position in the Nephrology segment while in the Oncology space, we remained the fastest growing company. Our consumer wellness business recorded revenues of Rs. 4.4 billion, up 3% on a year-on-year basis. The Personal Care segment, which comprises of Nycil and the Everyuth brands, registered robust growth during the quarter driven by a favorable season in many parts of the country. Gross margins continue to recover on account of moderating input prices and calibrated price increases taken earlier.

Now, let me take you through the performance of our US formulations business. The business posted revenues of Rs. 18.7 billion, up 9% year-on-year. On a sequential basis though, the business de-grew by 24% on account of reduction in revenues of the limited competition product, which is in line with our expectations. We launched eight new products during the quarter. New launches for the quarter include Indomethacin Suppository which was granted 180 days of Competitive Generic Therapy exclusivity and Plerixafor Injection, which was a Day-1 launch. During the quarter, we filed four additional ANDAs and received nine new product approvals.

Our international markets business, which comprises of Emerging markets and Europe formulations business, continued to deliver healthy growth with all major markets contributing to the growth during the quarter. The business posted revenues of Rs. 4.5 billion, up 17% year-on-year.

On the operations front, we received Establishment Inspection Reports from the USFDA for the inspections of our Oral Solid Dosage Facility 1 and Facility 2 located in the Ahmedabad SEZ and Biologics Fill-Finish facility located at the Zydus Biotech Park in Changodar.

This concludes the business review. I would now request Dr. Sharvil Patel to take you through the key drivers as well as initiatives in our innovation program.

**Sharvil Patel:**

Thank you, Dr. Nayak. Good evening, ladies and gentlemen. It is a pleasure to have you all on the call today. We remain focused on building long term growth drivers and augmenting the innovation

efforts in our focused geographies to enhance stakeholder value over time.

On India formulations front, we continue to work towards strengthening our position across the focus therapies through multiple initiatives. Portfolio of our innovation brands continue to display strong volume traction over the last several quarters and helped patients to satisfy their unmet healthcare needs. We continue to evaluate multiple partnership opportunities and develop novel solutions keeping in mind the unmet healthcare needs and patient convenience.

The US formulations business continue to display robust momentum. Comprehensive product offerings, key new launches, strong customer relationships and agility in operations have ensured sustained growth of our US business and also going forward.

On the inorganic front, recently, we announced our agreement to acquire UK headquartered LiqMeds group of companies which has unique capabilities in delivering novel oral liquids. The acquired entity has a good pipeline of products which comprises of many 505(b)(2) and first to file and first to market products. The acquisition is in line with the strategy to expand the presence in the specialty space and offer novel solutions to satisfy the unmet medical needs of patients globally through a differentiated and niche product platform i.e. liquid dosage forms. There is also a large population globally who suffer from difficulties in swallowing due to different diseases. Liquid orals would help such patients and in turn, bring greater ease of convenience and better therapy compliance. Overall, we expect our US business to continue its upward journey going forward on the back of a robust product pipeline across the generics and specialty space.

With this, let me talk about some of the other material developments on the innovation efforts. On the NCE front, we initiated a Phase II clinical trial of ZYIL 1, a novel, oral NLRP3 inflammasome inhibitor in patients with Amyotrophic Lateral Sclerosis, which is a disease called ALS. ALS is a rare, progressive and fatal neurodegenerative disease with an average life expectancy of 3-5 years from the time of symptoms onset. We have already established a proof of concept of ZYIL 1 in a Phase II trial in CAPS patients and published the data in Clinical Pharmacology in Drug Development. The USFDA has granted an orphan drug designation to the molecule to treat patients with CAPS, a rare auto-inflammatory disease.

We also received approval from CDCO to initiate Phase I clinical trial for our novel PCSK9 inhibitor. The study will evaluate the safety and tolerability of this candidate which will be administered subcutaneously in healthy human volunteers. Dyslipidaemia patients with high LDL cholesterol are at a high risk of atherosclerotic cardiovascular disease events such as heart attack and stroke. This PCSK9 inhibitor will regulate the level of LDL receptors which are responsible for the uptake and clearance of cholesterol from the blood.

On the Biotech R&D space, our pipeline continues to advance well in line with our expectations with the completion of clinical trials for one of the monoclonal antibodies and also patient recruitment for another monoclonal antibody. We have also received regulatory approval to initiate Phase III clinical trial for one more product during the quarter.

On the Specialty and 505(b)(2) development front, recently, we received the final approvals from the USFDA for two new drug NDAs viz. Sitagliptin under the brand name Zituvio and Sitagliptin and Metformin IR tablets under the brand name Zituvimet in the area of metabolic disorder management.

We also filed one more NDA which is Sitagliptin and Metformin ER tablets in the area of metabolic disorder management to complete the franchise of Sitagliptin combinations during the quarter.

Thank you and now we can move towards the Q&A session. Over to the coordinator for the Q&A.

**Moderator:**

Thank you. We will now begin the Question-Answer session. Anyone who wishes to ask a question may raise your hand from the participant tab on your screen. Participants are requested to use headphones or earphones while asking the question. We'll wait for a moment while question queue assembles.

The first question is from Kunal.

**Kunal:**

Hi. Thank you for the opportunity, Sir. So, the first one on this Sitagliptin franchise that we are trying to build on 505(b)(2) side. How do you see the addressable market? Is there any niche segment that we are targeting there? Obviously because the innovator has been there for quite some time. And, secondly, would it require any incremental front-end investment from us? And what would be our pricing strategy there? That would be the first question.

**Sharvil Patel:** So, the Sitagliptin franchise, obviously, is a large, established franchise in the US market. Most of the prescriptions are run through either commercial or Medicare segments and they are mostly filled by the retail segment. So, our strategy will be to go into the retail segment and see how do we get access through different PBM contracts going forward. And, I think, we'll have to slowly work on building the awareness for the product and also find the right ways to create the right contracts and look at taking market share.

So, I think, it is going to be a slow process to build up this franchise as it is not a substitutable or interchangeable product. But the good thing for us is that we will be alone in the market for some period of time which will allow us to create a good brand over the period of next two to two and a half years.

**Kunal:** Sure, Sir. And in terms of pricing, would we have any idea or we are still in the deciding phase?

**Sharvil Patel:** So, this is not a generic substitution. So, pricing is going to be PBM contract. So, it's difficult to give you an idea today till we launch and go through those phases.

**Kunal:** Sure. And in terms of front-end marketing, do we require marketing presence? Or can we use Sentylnl...

**Sharvil Patel:** No, our current strategy is that we will go through our, as I said, through contracts and listing and awareness area. So, I don't think we're talking about a front-end team yet.

**Kunal:** Okay, perfect. And secondly, Sir, if I look at the other expenses this quarter, they have been quite substantially down on a sequential basis. So, any particular reason for it? How should we think from the future quarter perspective?

**Nitin Parekh:** So, other expenses also include R&D expenses as well as expenses related to Zydus Wellness Limited where there is some seasonality involved. Also, certain professional, legal expenses, they are not uniform across all the quarters. So, if you take out the R&D part, I think, 850-900 crore would be the base depending on Zydus Wellness promotion spend.

**Kunal:** Okay. But R&D has also increased on a sequential basis, right?

**Nitin Parekh:** So, R&D should not be viewed on a sequential basis. It should be viewed on annual basis because it all depends on the projects, filing, registration, other expenses. On an annual basis, we have guided for 7-8%. We stick to that guidance.

- Kunal:** Okay, perfect. I have more questions, I'll join back the queue.
- Nitin Parekh:** Thank you.
- Moderator:** Thank you. The next question is from Saion Mukherjee.
- Saion Mukherjee:** Hello?
- Sharvil Patel:** Hello, Saion. Can you hear us?
- Sayan Mukherjee:** Hello? Am I audible?
- Sharvil Patel:** Yes.
- Sayan Mukherjee:** Okay, sorry. So, yeah, I was asking about the acquisition that you did for the liquid dosage form in UK. So, firstly, if you can take us through medium term outlook for this acquisition. Because the revenue base is quite low at this point and we paid almost £60 million. So, if you can give us some color on the pipeline and how should, you know, we think about revenues improving and if you can talk about profitability.
- And the other question I would have is in the specialty, innovation space. You know, how are you looking at M&A opportunities at this point in time? And anything that you can share in terms of activities, spaces that would interest you or you are currently looking at. Thanks.
- Sharvil Patel:** Yes. So, on the first point on the LiqMeds acquisition. So, this is a specialized delivery business which develops difficult to do liquid products from products that are not available today. So, most of the products are in the nature when you talk about US regulations then, the 505(b)(2) route, many of them, as I said, first to launch or first to file for those markets. They meet an unmet need for people who need to have dose adjustment or have dysphagia. The good part of this business is that they have already had important licensing arrangements with the large specialty companies both in UK as well as US. So, they work with Rosemont in UK. and three big specialty companies in US who specialize in selling these type of products. So, I think, from that point of view, there's already a model which is accepted. They have a good relationship and partnership with the companies. They have a very large pipeline which is partly licensed and still under development, which in future will also be available for launching as well as licensing out. So, we see this business as, obviously, a niche business, a good business which will have a technological differentiation, will be built on the specialty footprint in the US mostly and also in many other markets in terms of creating access for it. And, obviously, it



is just the first 12-15 months of launch. So, it's just the beginning of the company in terms of launch. So, the scaling up will happen over the next three years and we expect, because of the nature of this business and which is to do with mostly the manufacturing, development and licensing, it would have a significantly high profitability like specialty companies do.

**Nitin Parekh:**

So, Saion, also the nature of the business as of now is that currently they don't have their front-end, as Sharvil bhai mentioned about certain customers and contracts. So, the topline is not important. The stream of income is a 3-part, One is whatever manufacturing goods they sell and the profit that they make on that. But large part of income would come in terms of profit sharing as well as certain milestone-based incomes based on sales. So, these are going to come in times to come. So, whatever number of revenue that you are looking at is actually misnomer and that should not be, you know, given so much of importance.

**Saion Mukherjee:**

Okay-okay. Thanks. And on the landscape for specialty, how are you sort of thinking?

**Sharvil Patel:**

So, yeah, on that front, as I said, our keen interest is to continue to look at ultra rare diseases and orphan diseases in the US. We have our currently two products Nulibry, which is commercialized, and Zycuvo, which is delayed, but we still believe we have a sufficient room to build this rare disease portfolio. We are looking to do further acquisitions in this ultra rare portfolio and we have some good leads. So, we continue to hope we will be able to exercise more options of acquisition for late-stage products or ready to commercialize products in the US. So, that will be one important aspect of what we will do on the specialty front in the US, on the rare disease front in the US. And that's our current expectation of what we would hope to build out for which is buying niche small assets which are sticky and commercialize them with small commercial infrastructure both in US and also take them to Europe.

**Saion Mukherjee:**

Okay. And, Dr. Sharvil, do you have like a 3-5year plan on this? How many assets you would typically like to have? You already have a couple of them, which you have acquired, anything that will be from our own pipeline? So, how should we think about and what is the medium-term vision here like when you look at this acquisition how many products? I mean, how should we think about this particular business, let's say from a 5-year perspective?

**Sharvil Patel:** Yeah. So, I think, we are looking to at least add 2-3 more products to the portfolio. We have at least two under our own development, which are organic, and we continue to look for two or three more assets on the M&A front as I said which are late stage or near to commercial approval. So that's what our hypothesis is. I would say, the next 3 years, our target should be that if we can achieve aspirationally 100 million dollars of revenue on that part of the business.

**Saion Mukherjee:** Ok. thank you and I will join back. Thank you.

**Moderator:** Thank you. The next question is from Bino.

**Bino:** Hi, good afternoon! Sharvil bhai, is there any IP related issue around this because there is still drug substance patent around the salt which is there?

**Sharvil Patel:** We don't have an issue around launch. We are clear for launch.

**Bino:** Ok. Second, we had, in the last quarter itself mentioned that Revlimid would come down significantly from Q1 to Q2. So, has it come down or is it kind of insignificant in Q2?

**Sharvil Patel:** There is no Revlimid sale in Q2.

**Bino:** Ok. And on Asacol HD, anything, any further colour from the last call? Are you still expecting a competition this year? This financial year?

**Sharvil Patel:** Ya, we have built for that, assuming competition. We are not aware of it but we have built for competition.

**Bino:** Ok, understood, understood. And finally, just on the product Mirabegron, where you have an FTF share. One of your competitors have said that they may be looking at a launch this financial year. Is there any colour from your side that you can give?

**Sharvil Patel:** Ya, we are evaluating that product. So, it is an important product but I think it is too early for us to make any comments on that yet.

**Bino:** Ya, thank you. I will join back the queue.

**Moderator:** Thank you. The next question is from Surya. Surya, I think you may have to unmute.

**Surya:** Sorry, hello? Thanks for the opportunity Sir. I am sorry for this. My first question is on the sequential decline on the US business. You

mentioned that there is no Revlimid sales in this quarter. Right Sir?

**Sharvil Patel:** Yes. That's right.

**Surya:** So, practically about Revlimid, you had a kind of a thought process that whatever Revlimid revenue that you will be making, it would be distributed throughout the quarter in the year, evenly distributed.

**Sharvil Patel:** We have never said Revlimid will be evenly distributed. We have always said that it is quarter 4 and quarter 1 of the calendar year, financial years.

**Surya:** Ok. Till FY26, that is how it should be. Sir?

**Sharvil Patel:** Ya.

**Surya:** Ok, quarter 4 and Quarter...

**Sharvil Patel:** Quarter 1.

**Nitin Parekh:** That is our current thinking.

**Surya:** Ok. Since we have completed the first year of Revlimid and it is a volume limited one, now in the first year, what is the kind of volume that we would have achieved? Is it fair to believe that it is more than 6 percent?

**Sharvil Patel:** We are not giving volume. It's a settlement agreement that exists. So, we are not giving that kind of guidelines. As I said, it is a very important aspect of our yearly revenue and with an increase in market share that we will get, we will see an uptake in revenue for Revlimid, at least for the next calendar year.

**Surya:** Related question Sir. Although the Revlimid number is not there which was in the previous quarter was almost like 70 million dollar plus or something like that, despite that kind of revenue stream not there which is such a high margin business, your gross margin in this current quarter without Revlimid almost maintained the same number what you had achieved in the previous quarter. So, what is supporting this kind of number and how sustainable the base business is in achieving this kind of gross margin?

**Sharvil Patel:** So, as I said, it is a mix of our base business and new product launches and overall product mix, lesser realization from consumer health in this quarter because of their seasonality. I think all of that has led to a decent GC margin but Nitin bhai if you can add something...

- Nitin Parekh:** Input cost reduction has also helped especially in Zydus Wellness and they have also taken selling price increase in Zydus Wellness plus the new products that are launched in the quarter in US, they are at better margins. So it's a business mix and product mix, both helping us, as well as cost reduction.
- Surya:** Don't you think that this Revlimid is such a significantly influential gross margin product? So that means, is it fair to believe that once we again see the Revlimid number which will be again elevated versus last year, then our gross margin profile will really be meaningfully better than the current number, what we are seeing?
- Sharvil Patel:** So, if we do not see Asacol competition, then what your hypothesis is right. But we are building for Asacol price erosion. So, then we will have to see how much we can compensate.
- Surya:** Ok, fine. My second question is on the LiqMeds. Is it a loss-making business or is it on the verge of turning around or something like that?
- Sharvil Patel:** It is not a loss-making business.
- Management:** We already clarified that it is EPS accretive from beginning. So, it is profit making.
- Surya:** Ok. Because somewhere I had seen the reporting which was showing that networth is negative yet.
- Nitin Parekh:** That we will check the number. Maybe because of carry forward past losses because they are spending and developing the products initially. So, there are spends and income is in the backend in terms of time frame.
- Sharvil Patel:** As I said, this company, the business case for today it is development for partners and licensing and they have a cost plus profit share plus milestone based events where they earn margins and these are speciality products so the margins are very high. So, this will be a sufficiently, very high profitable business. It is not a sales, top line business but a very profitable business going forward and it will also help us build our specialty play in the US. Maybe not always directly but through partners also.
- Surya:** Ok. So that means, with this integration, this base will not going to work for the customers anymore? It will be captive service kind of thing. That is the right understanding Sir?

- Sharvil Patel:** No, no, we are partnering with some of the products. We don't have the capability to sell ourselves and we are not present everywhere. So, it will be mostly the current business model only and also we will use these products to file in our developing markets and other markets where these are important products also. Those we will do ourselves. But the current projections of revenue that we have made are mostly through licensing which are already contracted out
- Surya:** Ok, ok, Ya. Thank you. And just last one question Sir. On the R&D side, whether you have mentioned 100mn dollar kind of a spend that you are targeting for the specialty initiative.
- Sharvil Patel:** I said 100mn dollar revenue, not spend.
- Surya:** 100mn dollar revenue.
- Sharvil Patel:** Somebody had asked a question that mid-term, 3-5 years what do you see, the scale-ups? So, we said, for the rare disease portfolio, our aspiration is that over the next 3 years or 3-5years, we build a 100mn dollar revenue.
- Surya:** On the R&D side, whatever the spend that we are making, how much of that is for specialty currently and what is the kind of ultimate game plan in terms of investment, creating capacity, capability and what time frame that you are targeting to really build a kind of a sizeable portfolio and a meaningful base over the next 5yrs., let's say?
- Sharvil Patel:** Today, our R&D spend, about 50 to 55 percent of our spend is on generics portfolio which is also differentiated and complex and the remaining 45 percent is what we spend on our NCEs and biologics and vaccines. I would say, over a period of time, the generic portfolio will not grow and the growth will be seen in NCEs and biologics as we add more development programs for global development. So, I would say the mix would change from higher base on the specialty versus the generics on the R&D efforts.
- Surya:** Ok. And till the time, our R&D spend will be streamlined like this currently at 7-8 percent?
- Sharvil Patel:** Ya, we are seeing around 7-8 percent and overall, over the period of next 3years, we will look at around 8 percent on revenue.
- Surya:** Sure. Thank you Sir for answering all my queries. Wish you all the best and Happy Diwali to you.
- Sharvil Patel:** Thank you and Happy Diwali!

- Moderator:** Thank you. The next question is from Akshat Gupta.
- Akshat:** Hello! Yes Sir. I can see that there is reduction in business in US formulations.
- Sharvil Patel:** Sorry?
- Akshat:** After analysing the quarter on quarter numbers, we see that there is a 24 percent decrease in business of US formulations.
- Sharvil Patel:** Ya, because we don't have Revlimid sales this quarter.
- Akshat:** What about the margins?
- Sharvil Patel:** It's what we reported. Gross margins are 66+ percent.
- Akshat:** And the quarter on quarter margins have been reducing Sir.
- Sharvil Patel:** That's because of Revlimid. Revlimid last quarter was there versus this quarter.
- Akshat:** Ok, thank you.
- Moderator:** Thank you. Do you have one more question?
- Akshat:** No, that's it. Thank you.
- Moderator:** The next question is from Kunal Damesha.
- Kunal:** Thank you sir for the opportunity again. On the Asacol, while we are building in one competitor, now that our product has become reference product, have we seen anymore para 3 filer for that which would come in future, not just in this year but probably in future?
- Sharvil Patel:** There are people who have filed, who continue to work on it. So, I don't think there is any patent is left but as I said, we have assumed one competitor and potentially another competitor at the end of the next calendar year. So, we have to assume the worst. But so far, we have no idea when we will see competition.
- Kunal:** Can you provide update on Saroglitazar trials, for PBC and NASH for the developed markets?
- Sharvil Patel:** Ya, so on PBC, for Saroglitazar, we hope to complete all our recruitments this financial year, for the recruitment of the trial. So, we are on track to do that and then, obviously subsequently follow-up and then, filing. For NASH, phase II(b) is still on-going. It's a longer phase II(b). So that is still sometime away. We still need to recruit 130-150 patients.

- Kunal:** Sure. Sir, would there be any change in strategy from NAFLD or NASH perspective given the weight loss drugs gaining momentum because my belief is NAFLD, NASH are directly linked to the higher weights etc?
- Sharvil Patel:** So, again, for our current focus on commercialization and plan is for Saroglitazar and PBC and not in NASH. NASH is still long way out for us in terms of developed market strategy. And we have to see how the therapies do get developed. Yes, these products are also important but maybe in the future, there will be a need for not only this much combinations. So, I don't think a single drug or a single molecule will exist to solve for a particular indication like NASH and NAFLD which is very complicated with multiple issues. So, I would say that there is still enough opportunity for that segment but we are still far away from any commercialization capability for NASH in the medium to long term.
- Kunal:** And the 100 mn target that we have given for specialty, would that include PBC approval for Saro?
- Sharvil Patel:** No, the 100mn aspiration that we have said for our rare disease business is not to do with Saro.
- Kunal:** So, it's over and above, whatever we do on Saro.
- Sharvil Patel:** Saro is our orphan disease platform which is a different business unit that we are targeting.
- Kunal:** Ok, perfect. And sir, given there is, while you have suggested that Q4, Q1 is where Revlimid would be. But would you be comfortable giving us some direction as to where we could see our US revenue for the next couple of quarters. We have said that it will grow but what that growth could look like based on the products that we have in our portfolio?
- Sharvil Patel:** As I had said, for this financial year, we do expect a double digit growth for the US. As we have new launches, significantly important new launches as well as limited competition products that we hope to continue, our expectation is to continue to grow the US generics business.
- Kunal:** And overall within US, have you seen any improvement in price erosion, the competitive dynamics because the shortage environment continues there?
- Sharvil Patel:** No, I think it's similar. I don't see any drastic change in the market.
- Kunal:** So, what would be our price erosion for this quarter?

- Sharvil Patel:** We don't give price erosion for the quarter but overall, we are expecting mid-single digit price erosion.
- Kunal:** Because historically, we have said that almost 1.5 to 2 percent sequential price erosion, which kind of adds to high single digit price erosion.
- Sharvil Patel:** I think that's our best estimate and it will all depend on the portfolio. When we see competition on Asacol and others, then obviously depending on that, the erosion will be more but on a normalized basis, we are seeing mid to high single digit depending on the portfolio.
- Kunal:** Sure, sure, thank you Sir and all the best.
- Moderator:** Thank you. Requesting everyone to limit their questions to two. Next question is from Vishal Manchanda.
- Vishal:** Thanks for the opportunity. Did we get any benefit from PLI incentives during the quarter?
- Sharvil Patel:** Yes.
- Nitin Parekh:** Yes. In the quarter, we have 40 crore rupees accrued in this quarter for PLI scheme.
- Vishal:** Was this booked as part of other operating income?
- Sharvil Patel:** Yes.
- Vishal:** Ok. And second on LiqMeds acquisition, can you share how many products have been commercialized so far?
- Sharvil Patel:** There are 16 products that are approved in UK. All are not commercialized yet and there are 5 505(b)(2) products approved in the US which are getting commercialized. Some are commercialized and some are to be commercialized and they have multiple products filed and to be filed.
- Vishal:** Any guidance in terms of how many approvals we can expect in the next say, 2 years from LiqMeds?
- Sharvil Patel:** I don't think we will be able to give that right now but as I said, currently in the next 3 years planning wise, most of the products are developed or filed. So, the visibility is much clearer for over the next 2-3 years. But the future pipeline, we still need to come back to you. But there is a very large pipeline so the main is, how do we prioritize and file these products?



- Vishal:** On the products which are commercialized, these are early stages of launch and so they can ramp-up?
- Sharvil Patel:** Yes. These are early stages of launch and these are all specialty products. These are not generic substitution products.
- Vishal:** Ok. And just one final, you talked about a launch, around REMS product that you were expected to launch. So, any guidance there? Can we expect this in the next 2 quarters?
- Sharvil Patel:** I think we are about to launch or launched one already. The second, we will launch in the last quarter or the first quarter of next year.
- Vishal:** Which is the one you already launched?
- Sharvil Patel:** Isotretinoin.
- Vishal:** Ok. Got it. Thank you.
- Moderator:** Thank you. Next question is from Nitin Agarwal.
- Nitin Agarwal:** On the US business, I mean we look at sequential decline, you said that decline is entirely attributed to Revlimid or other parts of the business have also contributed to the decline?
- Sharvil Patel:** No, the decline is because of Revlimid. With new products and base business, we actually improved from the base of Revlimid.
- Nitin Agarwal:** The question that I am asking is, we are almost on a 70 mn delta on a QoQ basis. So, I am suggesting that Revlimid was higher than 70 million dollars in Q2? Is that right inference to make?
- Sharvil Patel:** Yes, ya.
- Nitin Agarwal:** If you look at, for example last year, we were at about 215 mn dollars of business, obviously Revlimid was not in the base. We have had a reasonable number of new launches coming through the years over the last few quarters. We are still around the same level, 215 becoming 225 in the current quarter. How should one look at this progression of this business, ex of the contribution probably from the likes of Revlimid?
- Sharvil Patel:** As I said, overall, we believe that, this year, FY24 we will see a double-digit growth for our US business and that will be our endeavour, with new launches we continue to do that. The only point is, it's wrong for us to remove Revlimid. Revlimid is not a one year phenomenon. It's already been there for 2, almost 2

years and it will continue at least for the next two years. So, this is really with inclusion of Revlimid, which will continue every year.

**Nitin Agarwal:** So, I'm saying about you know, and on the India part of the business, you know, do we have now visibility of maybe, inline market or higher and comfortable market inline to above market growth on a going forward basis from here on?

**Sharvil Patel:** Yes, we will grow in-line with market. And we will now I think with the better growth in October for the market, we hope to have better, much better growth in the coming quarter also.

**Nitin Agarwal:** Last if you can squeeze in, on Sitagliptin, when are you looking to launch these products?

**Sharvil Patel:** Next financial year.

**Nitin Agarwal:** Okay, do you have in your experience, or any sort of past experiences where 505(b)(2) launches like these have happened and companies who've done that have been reasonably successful in there, whatever success they've had in such launches in the past?

**Sharvil Patel:** So, it has been, I won't say there have been any meaningful big successes on oral 505(b)(2). So, something new for all of us or the industry also but we are hopeful that we should aspire for 8 to 10% market share to begin with.

**Nitin Agarwal:** Okay, thank you very much.

**Moderator:** Thank you. Requesting all participants to refrain themselves with two questions only. The next question is from Bino.

**Bino:** Hi, thanks for the follow up. From your press release, I can see that there are two biotech products in one of which you have completed the trial and one for which you have finished recruitment. So, are these phase three trials?

**Sharvil Patel:** Yes, these are phase three trials. One we have finished and filed and one we have just finished recruitment and hope to file in the last quarter.

**Bino:** Okay and I assume these are in India and in that case are they more like kind of biosimilars or is it a completely new bio products?

**Sharvil Patel:** Yeah. So, these are biosimilars and these are when I said that clinical trials, these were done in India for India market and developing countries.

- Binu:** Okay, biosimilars basically. Great, thank you.
- Moderator:** Thank you, the next question is from Damyanti.
- Damyanti:** Thank you for the opportunity. So, my question is on India business. So, you mentioned you'd like your India business to now grow at least in line with the market. So, if you can talk about the key growth drivers for India from here on, and also what is your expectation for Desidustat, which seems like an interesting product in your portfolio.
- Sharvil Patel:** So, we continue to reiterate that we will grow in line with the market. The strategy is going to be driven by our growth booster brands that we have, which will drive large part of the growth for the company and which also include the innovative products like Lipaglyn, Bilypsa, Oxemia, which is desidustat and Ujvira and also adding few more products in the coming year in terms of differentiation, like Dydrogesterone and others. So, those, the innovative products will add a significant uptake to our overall growth story while we continue to maintain and grow on our base business also. I would say, near term, as I already reiterated with the improvement in market in the segment in October and going forward, we would see a better uptake on growth for the India business. And with a larger base being built on these innovative products, we would also see better than market growth over a period of time.
- Damyanti:** Okay and in terms of sales team like are you broadly okay with the current team strength or you plan to add on more to improve reach and penetration, etc?
- Sharvil Patel:** So, in next financial year, we are increasing our footprint.
- Damyanti:** It will be in the next fiscal year?
- Sharvil Patel:** But not in a drastic manner but in a measured manner, we would add field force, feet on street in the coming financial year.
- Damyanti:** How many MRs right now in your team?
- Sharvil Patel:** 6500.
- Damyanti:** Okay. My second question is on the US business. So, like you have seen good pickup in approvals, launches, etc. So, in your current year's portfolio, if you can mention like how much sales is contributed by say non-oral solids, some differentiated products, which will be the key drivers going ahead also.

- Sharvil Patel:** So, US business of generics is a basket business which has oral solids, topical products, injectables and complex products like suppositories as well as transdermal patches. So, I don't think we have any segment way of doing this business. It's a portfolio business that we build. And that is how the generic market also functions. So, I don't think we can give dosage-wise breakup. But as I said, the business is constituted of all of these dosage forms.
- Damyanti:** Okay, and all going ahead also like it depends on the nature of the product, rather than the dosage, which will determine...
- Sharvil Patel:** Yeah, there will be always a mix of all of these, which I mentioned to you.
- Damyanti:** Okay, thank you for your answers. I'll get back in the queue.
- Moderator:** Thank you. The next question is from Charul Agarwal.
- Charul Agarwal:** Hi, can you hear me?
- Sharvil Patel:** Yes.
- Charul Agarwal:** Sir, I wanted to understand more about the co-marketing agreements for the India business for the innovative products that you have recently signed. So, what would be the rationale for these given Zydus already has a strong field force presence?
- Sharvil Patel:** So, I think, first starting with Saroglitazar, I think it is to create a larger access. We have a certain reach and capability and capacity to reach a certain number of patients. And with the indication coming through for NASH and NAFLD for Saro and the only drug to be approved for this, we do see that potentially adding more patients and by creating awareness for more physicians, is a need for us. And from that point of view, we did go through a whole process of identifying the key partners. And so far, we have been able to have two, one for the desidustat and one for Saroglitazar. We hope to add one more partner very soon.
- Charul Agarwal:** And what would be the agreement like in terms of profit share or would it be a fixed fee, how would it be like?
- Sharvil Patel:** It's a typical out licensing agreement like others that exist in India.
- Charul Agarwal:** Okay. My next question on opex. You did mention that the cost could moderate over the next quarter, but could you throw more light on the nature of these expenses?

- Nitin Parekh:** We only talked about other expenses on a quarterly basis, what is the base? So, we said that excluding R&D spend, the quarterly base will be 850 to 900 crores.
- Charul Agarwal:** Okay, what were the lower expenses due to QoQ?
- Sharvil Patel:** Savings because of higher input costs last year versus this year, and product mix also has helped us.
- Nitin Parekh:** So, I think she is asking about other expenses reduction. And as I said other expenses, they are affected by two major factors. One is R&D spend, which is not uniform across the quarters. Other is Zydus wellness related spend, which is seasonality nature. If you remove these two, which are going to be different for different quarters, the normal base will be 850 to 900 crores and that variability is also because of you know, legal and professional spend and other spend, some spend which are related to sales or production, so which again vary from quarter to quarter, but that range, you know, gives you a ballpark number.
- Charul Agarwal:** Thank you, sir. I'll get back in the queue.
- Moderator:** Thank you. The next question is from Tarang Agarwal.
- Tarang Agarwal:** Hello! Am I audible?
- Sharvil Patel:** Yes.
- Tarang Agarwal:** Hi, three questions from me. One, you know, this is with reference to, you know, onboarding Mr. Patel in North America. You know what really drove this decision and you know, considering that you've been in the market for almost two decades now, how are things likely to change with him coming on board?
- Sharvil Patel:** So, our US, as I said, we have two important geographies that we have a strong focus on. Now, obviously, over the last 15 years, we have built a good US generics business. But as we move forward, we have an intention to build a rare disease portfolio. We hope to build a Saroglitazar and build an orphan specialty business in the US. We have an animal health business. we have Viona pharmaceuticals. We hope to explore Canada and enter that market. So, looking at all of that, I think there was a need to consolidate how we run the operations in the US. And we have been looking for somebody to come in and look after all as a consolidated North American business. So that was the main reason for us to do that. That we are able to harmonize, consolidate and grow this business. So, Punit brings both the understanding from the customer side, which is important, but

also brings in his understanding of specialty business in his earlier efforts that he has put both at CVS and his earlier job. So, I think that was the main reason for us to see that how do we continue to build our generics platform, but also all these other new platforms and consolidate the leadership in the US.

**Tarang Agarwal:** Okay, got it. Second, you know, my sense is, there was some Revlimid in the base quarter of the previous financial year. So, would it be safe to presume that the US business must have grown by almost 15 to 18% on a constant currency basis?

**Sharvil Patel:** Definitely.

**Karan Agarwal:** Okay. And last, how many launches could we see in US over the next half year or say next four quarters?

**Sharvil Patel:** Next, how many quarters?

**Tarang Agarwal:** I mean, next one year from today or next half year till March 2024.

**Sharvil Patel:** So, we hope to launch anywhere between 30 to 40 products every year. So, it varies, but at least 30 products is something that we would continue to launch in the next 12 months or so.

**Tarang Agarwal:** Okay, thank you.

**Moderator:** Thank you, the next question is from Saion Mukherjee.

**Saion Mukherjee:** Yeah, thanks for the follow up. Just that I wanted to, in the US generics, you mentioned 30 to 40 products. But is it possible to give some granular like what kind of products we should sort of look forward to over the next three years and just one specific one, you got an approval for a transdermal, I think a few months back. Just wanted to confirm whether that's launched or when is it going to be launched?

**Sharvil Patel:** So yeah, we are launching two transdermals and potentially, by the end of this year, financial year, we would have two commercialize transdermal products beyond Rivastigmine, that is already launched. And going forward, we have, obviously, plans to launch two more on the transdermals franchise. We also have some important launches coming both where we believe we will be exclusive going forward. And I think, almost 25, 26, 27 we do believe, we have one exclusive product to launch every year. That is what our current belief is. But obviously it has to pan out in terms of both IP and litigation and other areas. But we do have a sufficiently exciting basket of products to be launched. In the near term also, we do have 6 to 10 products, which are you know, in

the 8-10 million plus range kind of value. So, it is the good basket of products that are there scheduled for launch and some of them being very important as well.

**Saion Mukherjee:** Okay, and any comment you have on the GLP-1 portfolio, which you have filed? Anything you'd like to share, is that an opportunity you see over the next couple of years?

**Sharvil Patel:** I would say not in the immediate future. But this is definitely a very important opportunity. And we do believe that we are also amongst the few companies who have a good position on this. So, it will be an exciting launch, obviously beginning with India and emerging markets but then moving into the developed markets, but I don't think it's a short-term opportunity.

**Saion Mukherjee:** Okay, and in India when would these opportunities play out for you?

**Sharvil Patel:** I think, post patents. I think it's 26 is when the patents go off, I think in India and some other markets. I'll get back to you Saion on that.

**Saion Mukherjee:** Okay. Thanks.

**Moderator:** Thank you. The next question is from Kunal Damesha.

**Kunal:** Just one clarity sir. I believe that we had another product called generic Trokendi XR as well as a good contributor in quarter one, which would have also come down and would have been... So, then the 70 million declines cannot be given to Revlimid, right? There'll be some Trokendi because it was...

**Sharvil Patel:** That was in quarter four bigger because that was the month then quarter one there was competition already.

**Kunal:** Okay. So, then the Revlimid decline would be less than 70 million?

**Nitin Parekh:** So almost. If not 100%, 90% plus, you know, decline is related to Revlimid only.

**Kunal:** Okay. Thank you, sir.

**Moderator:** Thank you. The next question is from Surya Patra.

**Surya:** Yeah. Sir, just a query on the Mylabs acquisition. So, what is the thought process there and where it fits to our overall growth strategy?

**Sharvil Patel:** So, we haven't acquired any majority stake in Mylabs. We have taken six and a half percent equity stake.

- Surya:** Correct. But any thought process going ahead there?
- Sharvil Patel:** I think one strong belief as a company and as a product portfolio that we say that beyond being a pharmaceutical company, how do we bring better solutions for patients beyond the pill. One area, which is very interesting for us is at home testing and point of care devices. And I think Mylabs is pioneering in both of these areas and completely homegrown and which also brings efficiencies and cost efficiencies. So, we believe, we will find an important area to work on creating access for these types of PCR point of care devices which can revolutionize the way molecular diagnostics and advanced diagnostics happens for many of, not only the current conditions and issues, but future diseases as well. So that's where our focus is going to be and that is why we have partnered with them to bring these kind of portfolio to the physicians and the patients.
- Surya:** Okay. But don't you think that is a kind of relatively generic in terms of the earning potential, in terms of the competitive landscape that is there in the market, and whether it is targeted for the domestic market or you're thinking, taking to the other market?
- Sharvil Patel:** No, it's for domestic and it is not at all generic. The large diagnostic testing places are generic in nature. These are molecular diagnostic tests, which are highly specific and sensitive and in real time, and where you can do it at home or point of care at a clinic. So, this has not been done in India yet. So, there's nothing generic about it.
- Surya:** Sure. My second question is on how big is the injectable portfolio? We have certainly seen some few approvals from the injectable front targeted for US market. But right now, at what level that we are and how important this segment could be for US business going ahead?
- Sharvil Patel:** So, the injectable segment is a very important part of our overall generic strategy. And it will continue to be critical for us to grow in the US. But it is just one part of our overall product mix that we do. So, I would say obviously it is growing and it's small, but the most important part is that we have a franchise that is in injectable, complex orals, suppositories, transdermals, topical. So, the whole franchise is going to be important.
- Surya:** Okay, other than the oral solid then including injectables, what is the pipeline it would be looking like for you?



- Sharvil Patel:** So, as I said the pipeline constitutes of orals, injectables, inhalation, transdermal, topicals and some suppositories.
- Surya:** In terms of number, pipeline can you say?
- Sarvil Patel:** We have more than 100 products that we need to file.
- Surya:** Okay. Sure sir. Thank you
- Moderator:** The next question is from Kunal Damesha.
- Kunal:** All my questions are answered. Thank you.
- Moderator:** Okay, thank you.
- Moderator:** The next question is from Tarang Agarwal.
- Tarang Agarwal:** Hi, just one quick question. How are you looking at the Zydus Wellness business, purely from where it stands today? I mean, on a consolidated entity level, it's a fair, big drag on the return metrics. So, just wanted to get your sense in terms of how are you looking at this business?
- Sharvil Patel:** So, I think from our India strategy point of view, Zydus Wellness is a very integral part of our strategy and future profits and growth. And I would say, obviously, in the last two to three quarters, we have had issues on margins because of cost escalation that happened. But I think, as you see in the last quarter that is corrected and the gross margins are back to the original gross margins that it had. So, one part of the problem gets solved in terms of the margin profile, and it's been a tepid quarter because of low demand, as you can see, for most of the FMCG. But going forward, it is a business that will drive double digit revenue growth and with improvement in margins, also profit growth. So, for us it is a very integral part of what we plan to do in terms of the overall India business.
- Karan Agarwal:** Okay, thank you.
- Sharvil Patel:** Thank you.
- Moderator:** Thank you. I now hand the conference over to Dr. Nayak, for closing remarks.
- Ganesh Nayak:** Thank you very much. And we look forward to interacting with you again in the month of February when we declare the next quarter results and wish all of you a very good evening and wish you a very Happy Diwali and a prosperous New Year. Good night.



**Moderator:**

Thank you on behalf of Zydus Lifesciences Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines and exit the webinar.

**END OF TRANSCRIPT**